

State Employee Compensation Study

Employee Benefits Programs Committee
May 17, 2006

ND Human Resource Mgmt Services
Laurie Sterioti-Hammeren, Director
Ken Purdy, Compensation Mgr

STATE EMPLOYEE COMPENSATION STUDY

Presentation by representatives of the Human Resource Management Services Division of the Office of Management and Budget regarding:

- A summary of significant employee turnover by job type and by agency during the first year of employment
- A listing of state agencies with human resources departments or human resources directors
- Information on state employee compensation needs and concerns and suggested solutions
- Options for the development of a pay for performance compensation system for state employees

Turnover of Employees During the First Year of Employment By Occupation

Occupation	2003		2004		2005	
	Number	Percent	Number	Percent	Number	Percent
Admin Support	3	12%	5	6%	8	7%
Info Tech			1	1%	6	5%
Misc Admin	1	4%	7	8%	15	12%
Education			1	1%	3	2%
Engineering	1	4%	2	2%	1	1%
Medical/Health	5	20%	12	14%	16	13%
Social Services	8	32%	32	39%	57	46%
Public Safety	3	12%	12	14%	2	2%
Natl Res/Agric					2	2%
Custodial & Food Svc	4	16%	6	7%	11	9%
Labor/Trades			5	6%	2	2%
Total	25	100%	83	100%	123	100%

These are NOT turnover rates for each occupation, the figures represent the percent of the 123 employees who separated within their first year of employment.

Turnover of Employees During the First Year of Employment

By Agency

Agency	2003		2004		2005	
	Number	Percent	Number	Percent	Number	Percent
Adj Gen'l's Ofc					2	2%
Atty Gen'l's Ofc			3	4%	2	2%
Auditor's Ofc			1	1%	1	1%
Bank of ND			1	1%	2	2%
Dept of Fin Inst			1	1%	2	2%
Dept of Human Svcs	12	48%	40	48%	74	60%
Dept of Corr & Rehab	4	16%	13	16%	2	2%
Dept of Trans	1	4%	6	7%	2	2%
Dept of Public Inst			2	2.4%	3	2%
Health	1	4%	5	6%	2	2%
Highway Patrol			1	1%		
Insurance					1	1%
Info Tech Dept	1	4%			5	4%
Job Service ND			4	5%	9	7%
NDPERS	2	8%				
OMB	1	4%			1	1%
Parks			1	1%	3	2%
Tax					1	1%
Veterans Home	3	12%	5	6%	11	9%
Total	25	100%	83	100%	123	100%

These are NOT turnover rates for each agency, the figures represent the percent of the 123 employees who separated within their first year of employment.

Human Resource Directors

Agency	Name	Title
Bank of North Dakota	Gayle Ciavarella	HR Director
Corrections & Rehab, Dept of	Linda Houfek	HR Director
Public Instruction, Dept of	Irish Linnertz	HR Director
Health Dept	Kerry Olson	HR Director
Human Services, Dept of	Dean Mattern	HR Director
Info Technology Dept	Ardy Pfaff	HR Director
Job Service ND	Sheila Vetter	HR Director
Transportation, Dept of	Bob Evans	HR Director

Functional HR Officers of Larger Agencies

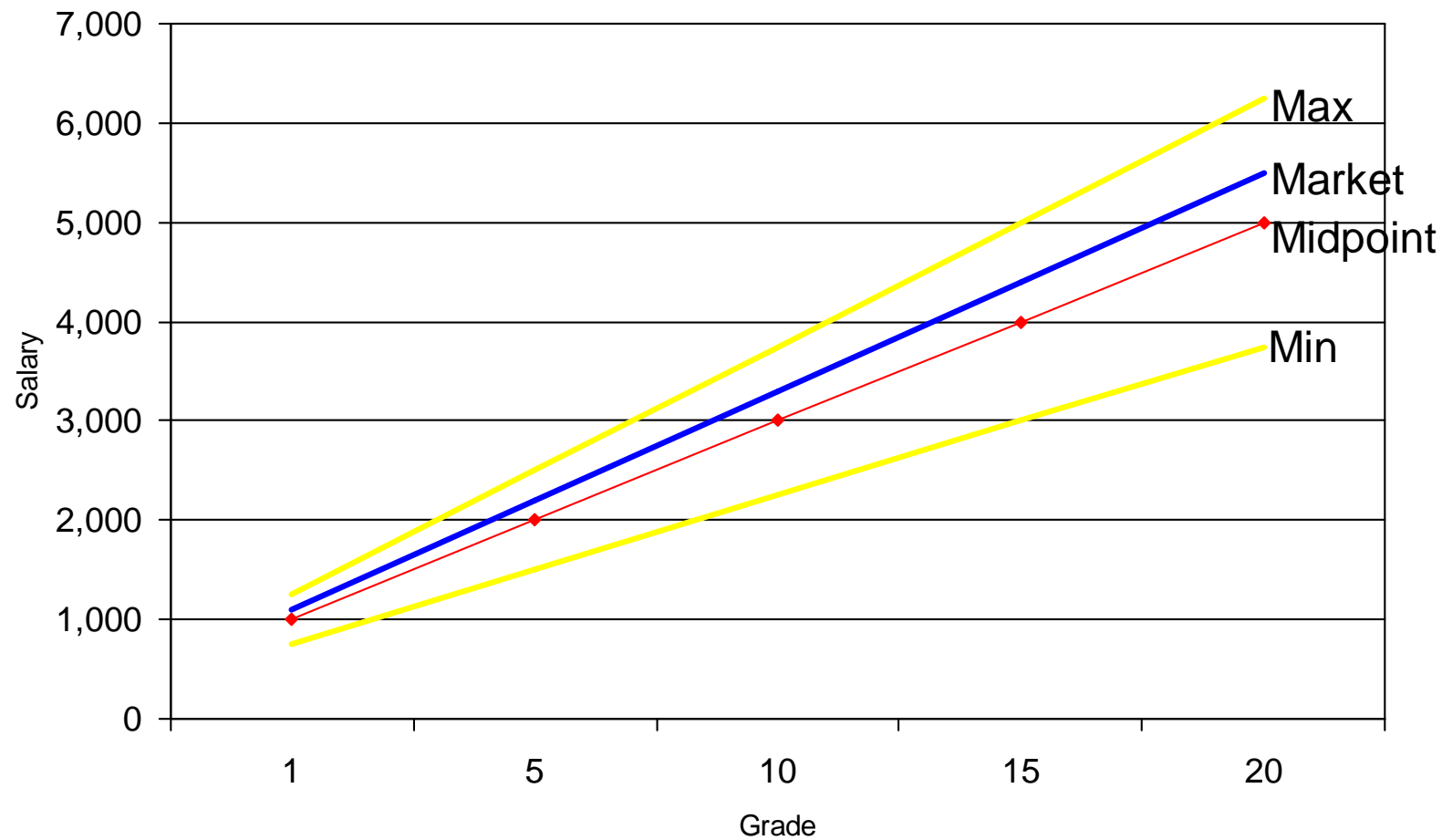
Agency	Name	Title
Adjutant General, Office of	Cindy Pazdernik	HR Officer
Attorney General, Office of	Glenna Ellison	HR Officer
Game & Fish Dept	Paul Schadewald	Chief, Admin Svcs
Highway Patrol	Neil Johnson	Hwy Patrol Major
Parks & Recreation Dept	Dorothy Streyle	Exec Staff Ofcr
Tax Commissioner, Office of	Nancy Sailer	HR Officer
Water Commission	LeNor Dollinger	Exec Staff Ofcr

Summary of Meetings with Human Resource Groups

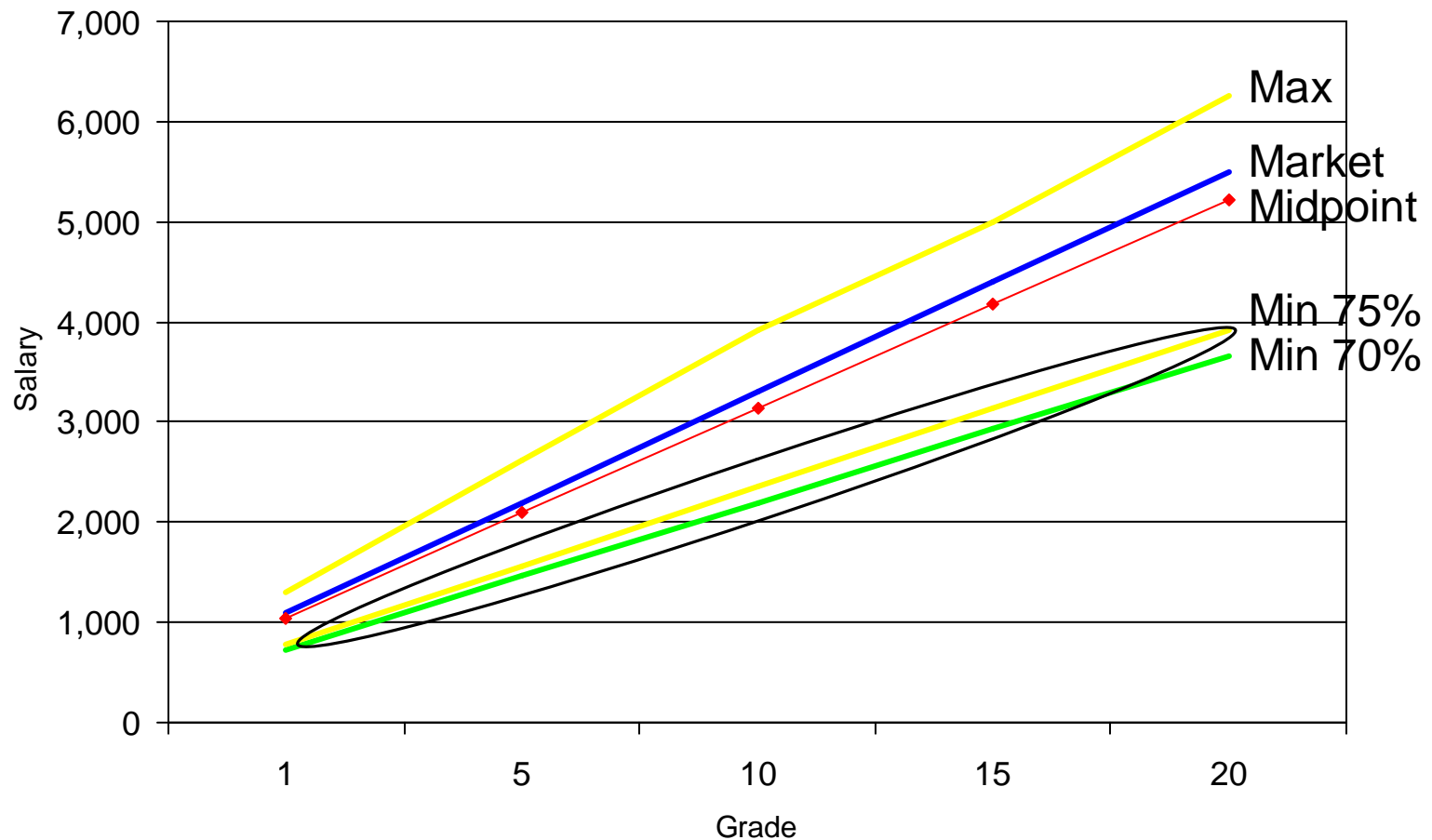
HRMS held three meetings with agency human resource directors and functional human resource officers regarding state employee compensation Needs. Consensus of the HR group follows:

- Critical is continuation of state funding of health insurance - the State's "ace in the hole" to attract and retain employees.
- The significant lag of state employee pay from market pay needs to be addressed before a pay-for-performance system is implemented.
 - Agencies have performance measurement systems in place that could be utilized to recognize and reward performance if funding is available.
 - Agencies have available to them pay for performance tools through administrative rules in the form of performance increases and performance bonuses.
 - Agencies are dealing with poor performers through disciplinary measures, corrective action plans, and dismissal. Poor performers do not receive discretionary pay increases.
- Pay range midpoints should be adjusted to 95% of market. This could be accomplished through transitional steps at the minimum of the ranges.

Market to Midpoint Impact



Market to Midpoint Impact



Midpoint at 95% of Market:

Ø Keeping Minimum at **75% of Mdpt** would result in **763 employees** below minimum; cost **\$900,000** to bring employees to minimum.

Ø Placing Minimum at **70% of Mdpt** would result in **184 employees** below minimum; cost **\$200,000** to bring employees to minimum.

Model-based Salary Distribution

- Calculates distribution by agency based on appropriation amount
- Adjusts to specific circumstances & needs of each agency

Model 1

- Applies Performance First as a %
- Applies Equity Second as Flat \$

Model 2

- Applies Equity First as a %
- Applies Performance Second as Flat \$

- NO INCREASE if performance does not meet established standards
- After applying Performance & Equity, model can ensure each employee receives a minimum increase

SALARY INCREASE MODEL - 2007

Percent Performance - Share Equity Matrix

Prepared by: **ND Human Resource Management Services**
Office of Management & Budget

MODEL 1

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Performance %	
Rating	%
0	0.0%
1	3.0%
2	4.0%
3	5.0%

Increase Information		
Gen Inc \$ Available (4% or \$60):		2,580.50
Remaining Perf. & Equity Funds:		2,580.50
Total Performance Increase:	2,010.80	
Remaining Equity Funds:		569.70
Equity Share Value:	15.83	
Total Equity Increase:	569.70	
Total All Increases:		2,580.50

General Information		
# Employees:		25
Avg Salary:	Current \$2,533	New \$2,637
Avg Compa-Ratio:	0.91	0.92
Yrs Svc (7/1/2000):	14.7	
Yrs in Cts/Grd (7/1/2000):	14.8	
Avg Increase \$:	\$104	
Avg Increase %:	4.3%	

RANGE COMPRESSION MATRIX

Yrs Svc		quartile			
From:	Up To:	1	2	3	4
12	99	3	2	1	0
7	12	2	1	0	0
0.5	7	1	0	0	0

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Org	Dept	Div	Name	Grade	Current Salary	Current C-Ratio	Yrs Svc on 7/1/05	Yrs in Cts/Grd	Min \$60 Increase	Performance Rating	Performance Increase	Equity Increase	Total Increase	Total % Inc	New Salary	New C-Ratio
xxx	yyy	zzz	Allen	3	1,191.00	0.81	1	2.3	8.47	1	35.70	15.83	60.00	5.0%	1,251.00	0.82
xxx	yyy	zzz	Bill	3	1,236.00	0.84	1	3.4	7.07	1	37.10	15.83	60.00	4.9%	1,296.00	0.85
xxx	yyy	zzz	Cleo	3	1,265.00	0.86	1	4.2	0.00	2	50.60	15.83	66.43	5.3%	1,331.43	0.87
xxx	yyy	zzz	Dick	3	1,280.00	0.87	1	4.8	5.77	1	38.40	15.83	60.00	4.7%	1,340.00	0.88
xxx	yyy	zzz	Esther	3	1,280.00	0.87	1	4.6	0.00		0.00		0.00	0.0%	1,280.00	0.84
xxx	yyy	zzz	Frank	3	1,353.00	0.92	2	9.2	3.57	1	40.60	15.83	60.00	4.4%	1,413.00	0.92
xxx	yyy	zzz	Gwen	4	1,326.00	0.82	1	8.3	0.00	3	66.30	31.65	97.95	7.4%	1,423.95	0.85
xxx	yyy	zzz	Henry	6	1,506.00	0.77	1	14.8	0.00	2	60.20	47.48	107.68	7.1%	1,613.68	0.79
xxx	yyy	zzz	Irvin	5	1,637.00	0.92	2	9.9	0.00	1	49.10	15.83	64.93	4.0%	1,701.93	0.92
xxx	yyy	zzz	Jackie	7	1,743.00	0.81	1	16.9	0.00	1	52.30	47.48	99.78	5.7%	1,842.78	0.82
xxx	yyy	zzz	Kathy	8	2,249.00	0.95	2	22.3	0.00	2	90.00	31.65	121.65	5.4%	2,370.65	0.96
xxx	yyy	zzz	Larry	8	2,272.00	0.96	2	10.7	0.00		0.00		0.00	0.0%	2,272.00	0.92
xxx	yyy	zzz	Mary	10	2,415.00	0.85	1	19.2	0.00	1	72.50	47.48	119.98	5.0%	2,534.98	0.86
xxx	yyy	zzz	Norm	10	2,614.00	0.92	2	13.7	0.00	1	78.40	31.65	110.05	4.2%	2,724.05	0.92
xxx	yyy	zzz	Oscar	8	2,722.00	1.15	4	21.9	0.00	3	136.10	0.00	136.10	5.0%	2,858.10	1.16
xxx	yyy	zzz	Paul	11	2,900.00	0.92	2	9.0	0.00	2	116.00	15.83	131.83	4.5%	3,031.83	0.92
xxx	yyy	zzz	Quentin	12	3,252.00	0.93	2	25.2	0.00		0.00		0.00	0.0%	3,252.00	0.89
xxx	yyy	zzz	Roger	12	3,602.00	1.03	3	17.8	0.00	1	108.10	15.83	123.93	3.4%	3,725.93	1.02
xxx	yyy	zzz	Sara	12	3,605.00	1.03	3	30.5	0.00	2	144.20	15.83	160.03	4.4%	3,765.03	1.04
xxx	yyy	zzz	Tom	12	3,637.00	1.04	3	20.8	0.00	2	145.50	15.83	161.33	4.4%	3,798.33	1.04
xxx	yyy	zzz	Ulysses	14	3,623.00	0.86	1	15.8	0.00	1	108.70	47.48	156.18	4.3%	3,779.18	0.86
xxx	yyy	zzz	Vicky	14	3,918.00	0.93	2	12.8	0.00	1	117.50	31.65	149.15	3.8%	4,067.15	0.93
xxx	yyy	zzz	Walt	14	4,002.00	0.95	2	25.4	0.00	2	160.10	31.65	191.75	4.8%	4,193.75	0.96
xxx	yyy	zzz	Xavier	15	4,232.00	0.89	2	24.1	0.00	2	169.30	31.65	200.95	4.7%	4,432.95	0.90
xxx	yyy	zzz	Yasmine	15	4,470.00	0.94	2	19.1	0.00	1	134.10	31.65	165.75	3.7%	4,635.75	0.94

SALARY INCREASE MODEL - 2007

Percent Equity Matrix - Share Performance

Prepared by: **ND Human Resource Management Services**
Office of Management & Budget

MODEL 2

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Performance Shares	
Rating	Shares
0	0
1	1
2	2
3	3

Increase Information		
Gen Inc \$ Available (4% or \$60):		2,580.50
Remaining Perf. & Equity Funds:		2,580.50
Total Equity Increase:	1,517.15	
Remaining Performance Funds:		1,063.35
Performance Share Value:	31.28	
Total Performance Increase:	1,064.00	
Total All Increases:		2,581.15

General Information		
# Employees:		25
Avg Salary:	Current	New
	\$2,533	\$2,637
Avg Compa-Ratio:	0.91	0.92
Yrs Svc (7/1/2000):	14.7	
Yrs in Cls/Grd (7/1/2000):	14.8	
Avg Increase \$:	\$104	
Avg Increase %:	4.4%	

RANGE COMPRESSION MATRIX

Yrs Svc		quartile			
From:	Up To:	1	2	3	4
12	99	4.0%	3.0%	2.0%	1.0%
7	12	3.0%	2.0%	1.0%	0.0%
0.5	7	2.0%	1.0%	0.0%	0.0%

DRAFT

Org	Dept	Div	Name	Grade	Current Salary	Current C-Ratio	Quartile	Yrs Svc on 7/1/05	Yrs in Cls/Grd	Min \$60 Increase	Performance Rating	Performance Increase	Equity Increase	Total Increase	Total % Inc	New Salary	New C-Ratio
xxx	yyy	zzz	Allen	3	1,191.00	0.81	1	2.3	2.3	4.88	1	31.30	23.82	60.00	5.0%	1,251.00	0.82
xxx	yyy	zzz	Bill	3	1,236.00	0.84	1	3.4	3.4	3.98	1	31.30	24.72	60.00	4.9%	1,296.00	0.85
xxx	yyy	zzz	Cleo	3	1,265.00	0.86	1	4.2	4.2	0.00	2	62.60	25.30	87.90	6.9%	1,352.90	0.88
xxx	yyy	zzz	Dick	3	1,280.00	0.87	1	4.8	4.8	3.10	1	31.30	25.60	60.00	4.7%	1,340.00	0.88
xxx	yyy	zzz	Esther	3	1,280.00	0.87	1	4.6	4.6	0.00		0.00	0.00	0.00	0.0%	1,280.00	0.84
xxx	yyy	zzz	Frank	3	1,353.00	0.92	2	9.2	9.2	1.64	1	31.30	27.06	60.00	4.4%	1,413.00	0.92
xxx	yyy	zzz	Gwen	4	1,326.00	0.82	1	8.3	8.3	0.00	3	93.80	39.78	133.58	10.1%	1,459.58	0.87
xxx	yyy	zzz	Henry	6	1,506.00	0.77	1	14.8	14.8	0.00	2	62.60	60.24	122.84	8.2%	1,628.84	0.80
xxx	yyy	zzz	Irvin	5	1,637.00	0.92	2	9.9	9.8	0.00	1	31.30	32.74	64.04	3.9%	1,701.04	0.92
xxx	yyy	zzz	Jackie	7	1,743.00	0.81	1	16.9	17.5	0.00	1	31.30	69.72	101.02	5.8%	1,844.02	0.82
xxx	yyy	zzz	Kathy	8	2,249.00	0.95	2	22.3	22.3	0.00	2	62.60	67.47	130.07	5.8%	2,379.07	0.97
xxx	yyy	zzz	Larry	8	2,272.00	0.96	2	10.7	11.3	0.00		0.00	0.00	0.00	0.0%	2,272.00	0.92
xxx	yyy	zzz	Mary	10	2,415.00	0.85	1	19.2	19.2	0.00	1	31.30	96.60	127.90	5.3%	2,542.90	0.86
xxx	yyy	zzz	Norm	10	2,614.00	0.92	2	13.7	13.7	0.00	1	31.30	78.42	109.72	4.2%	2,723.72	0.92
xxx	yyy	zzz	Oscar	8	2,722.00	1.15	4	21.9	21.8	0.00	3	93.80	27.22	121.02	4.4%	2,843.02	1.15
xxx	yyy	zzz	Paul	11	2,900.00	0.92	2	9.0	9.4	0.00	2	62.60	58.00	120.60	4.2%	3,020.60	0.92
xxx	yyy	zzz	Quentin	12	3,252.00	0.93	2	25.2	25.5	0.00		0.00	0.00	0.00	0.0%	3,252.00	0.89
xxx	yyy	zzz	Roger	12	3,602.00	1.03	3	17.8	18.5	0.00	1	31.30	72.04	103.34	2.9%	3,705.34	1.02
xxx	yyy	zzz	Sara	12	3,605.00	1.03	3	30.5	30.5	0.00	2	62.60	72.10	134.70	3.7%	3,739.70	1.03
xxx	yyy	zzz	Tom	12	3,637.00	1.04	3	20.8	21.5	0.00	2	62.60	72.74	135.34	3.7%	3,772.34	1.04
xxx	yyy	zzz	Ulysses	14	3,623.00	0.86	1	15.8	15.7	0.00	1	31.30	144.92	176.22	4.9%	3,799.22	0.87
xxx	yyy	zzz	Vicky	14	3,918.00	0.93	2	12.8	13.5	0.00	1	31.30	117.54	148.84	3.8%	4,066.84	0.93
xxx	yyy	zzz	Walt	14	4,002.00	0.95	2	25.4	24.9	0.00	2	62.60	120.06	182.66	4.6%	4,184.66	0.95
xxx	yyy	zzz	Xavier	15	4,232.00	0.89	2	24.1	23.9	0.00	2	62.60	126.96	189.56	4.5%	4,421.56	0.89
xxx	yyy	zzz	Yasmine	15	4,470.00	0.94	2	19.1	18.8	0.00	1	31.30	134.10	165.40	3.7%	4,635.40	0.94